Michigan House Agriculture Committee Testimony

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Numbers to Be Proud of

Back in the old days the values of Michigan's annual potato crops ran in a range around $25 million. Well, that's not the really old days since many growers still have clear memories of the era. It was about 40 years ago, the late '60s and early '70s.

For instance, the 1969 crop value—the price received for all production at first point of sale—was calculated at $23.8 million. The value popped up to $26.8 million in 1970, slumped to $20.9 million in 1971, then climbed to $27.9 million in 1972.

The Current Number

Keep those figures in mind as we look at the current situation. **The value of the 2009 crop as determined by the U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) reached $164.4 million.** It's an all-time record for the Michigan potato industry.

The number has been rising in recent years. Some factors out of Michigan's control contribute to the upswing, such as the size of the national crop in relation to demand. Prices for the 2009 crop were generally rather strong nationally.

But Michigan has developed the habit of obtaining premium prices over many other states. Quality and reliability have been rewarded in the marketplace. The result is an interesting shift in Michigan's national rankings.

Value Surge

In production, the NASS numbers show that Michigan moved up a notch in 2009, edging ahead of Maine to achieve No. 9 ranking nationally. But for value of production, Michigan now ranks No. 6 nationally. Michigan's crop value has vaulted ahead of three states with larger output—Colorado, Oregon and Minnesota—simply because of the much stronger prices Michigan has commanded compared with those producers.

The $164.4-million figure looks impressive against the past as well. It's roughly six or seven times the "normal" of four decades ago. It's more than double the crop values of two decades ago.

Inflation-Adjusted Numbers

Of course, another factor has to be recognized to put perspective on the current crop-value record. Inflation has been eating away the worth of the dollar since World War II. So how would those old-time numbers look when re-calculated to the present value of the dollar?

The crops of some 40 years ago would be valued around $140 million plus-or-minus in today's money. By that comparison the present industry is showing even more strength than was being achieved in that strong earlier era.

That period was during a favorable cycle in the up-and-down history of the Michigan potato industry. The post-war slump had been arrested. **The Michigan Potato Industry Council, founded in 1958 as a voluntary organization and re-formed following a 1961 law as an assessment-based commodity group, was aggressively promoting the tablestock sector to consolidate and reclaim markets that had been shrinking through the 1950s.** And in

1965 the Ore-Ida, Inc., frozen-processing plant was completed near Greenville to give Michigan a one-two-three punch between fresh and French fries and potato chips. So going into the '70s the industry was healthy.

An Earlier Boom Time

The mid-'70s were especially so. Crop values in 1974 and 1975 were respectively $41.2 million and $44.9 million. Applying the inflation rate since then, those crops are calculated to be worth more than $180 million in today's dollars. Those years were a high-water mark—and something to shoot for in future production.

A few subsequent years into the 1980s also yielded exceptional values, but then the bottom dropped out of the frozen sector as Ore-Ida closed its operation in 1987. The industry, suddenly struggling to find alternative outlets for such a large proportion of its crop, floundered awhile. The value of the 1987 production, adjusted to the current dollar, fell to about $117 million.

The Turnaround

Many growers saw greater opportunities in alternative crops and began leaving potato production. Some of those committed to potatoes began building in the chip sector as that industry itself was consolidating from many smaller local and regional brands into larger multi-region and national manufacturers. The adaptation by Michigan growers was not without its bumps. The 1991 crop value, adjusted for inflation, was still about what it was in 1987.

But progress has become the norm in the Michigan potato industry. Solidification of markets with long-time customers, expansion into new sectors and an attitude of cooperation with buyers to help them bring increased value to their own customers have paid off. The 2009 production is listed by NASS at 15.66 million cwt. Earlier this decade the norm was below 14 million cwt.

The comeback of the Michigan potato industry is all the more remarkable in light of the intense competition in agriculture nationally as a multitude of commodities seek to retain or expand their place in the limited amount of national stomach space.

The Future

Past successes are no guarantee of future flourishing. The mid-'80s appeared well established for long-term prosperity in the frozen-processing sector, but suddenly the Greenville plant, though less than a quarter century old, was judged by Ore-Ida executives to be too inefficient within the corporation's larger plans, and the shutdown was ordered.

Today there is little sign of complacency among growers and shippers. **The Michigan potato industry has a proven record of progress and appears poised to keep pursuing its mission of satisfying its customers with quality and reliability. It's a well-tested formula for continued success.**